

EAST KENTUCKY POWER COOPERATIVE

January 6, 2005

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2004-00321

RECEIVED

Dear Ms. O'Donnell:

JAN 06 2005

Please find enclosed for filing with the Commission in the above-referenced case an original and seven (7) copies of East Kentucky Power Cooperative, Inc.'s, Information Requests to Gallatin Steel Company.

Very truly yours,

Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Elizabeth E. Blackford, Esq.- Office of the Attorney General
Michael L. Kurtz, Esq.- Counsel for Gallatin Steel Co.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 06 2005

PUBLIC SERVICE
COMMISSION

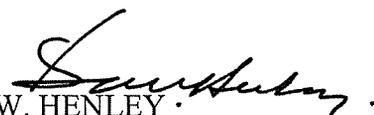
In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC., FOR APPROVAL)
OF AN ENVIRONMENTAL COMPLIANCE PLAN) CASE NO. 2004-
AND AUTHORITY TO IMPLEMENT AN) 00321
ENVIRONMENTAL SURCHARGE)

EAST KENTUCKY POWER COOPERATIVE, INC.
INFORMATION REQUESTS TO
GALLATIN STEEL COMPANY

East Kentucky Power Cooperative, Inc., ("EKPC") hereby submits the attached information requests to Intervenor, Gallatin Steel Company. Please provide responses in a bound volume with each item tabbed and sheets appropriately indexed. Please provide legible copies of any duplicated materials. Responses are due by January 20, 2005, pursuant to the procedural schedule in this case.

Respectfully submitted,


DALE W. HENLEY


CHARLES A. LILE

ATTORNEYS FOR EAST
KENTUCKY
POWER COOPERATIVE, INC.
P. O. BOX 707
WINCHESTER, KY 40392-0707
(859) 744-4812

PSC CASE NO. 2004-00321

**EAST KENTUCKY POWER COOPERATIVE, INC.
INFORMATION REQUESTS TO
GALLATIN STEEL COMPANY**

1. Regarding Mr. Kollen's statement on page 4 of his Direct Testimony that the Kentucky Public Service Commission (the "Commission") has only approved Compliance Plans pursuant to KRS §278.183 which apply to "coal combustion wastes and by-products from facilities utilized for the production of energy from coal".
 - a. Does Mr. Kollen acknowledge that KRS §278.183 identifies two categories of environmental compliance costs that are eligible for recovery, those relating to "the Federal Clean Air Act as amended", and costs relating to "those federal, state or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal"?
 - b. Does Mr. Kollen contend that there is no distinction between these two categories of eligible environmental compliance costs referenced in KRS §278.183? If so, how does Mr. Kollen explain the statute's specific reference to the Federal Clean Air Act as amended, if the requirements of that Act are encompassed in the second category of compliance costs referenced in KRS §278.183?
 - c. If Mr. Kollen recognizes compliance costs of the Federal Clean Air Act, as amended, as a distinct category of eligible costs under KRS §278.183, please identify any language in the statute which limits the recovery of such costs to those associated with coal-fired generating units.
2. Regarding Mr. Kollen's statement on page 9 of his Testimony that KRS §278.183 does not provide for recovery of environmental costs incurred at gas generating units:
 - a. Does Mr. Kollen acknowledge that the Federal Clean Air Act, as amended, contains provisions that impose environmental compliance costs on gas-fired electric generating units?
 - b. Does Mr. Kollen agree that EKPC's NOx control equipment, included in its Application in this case, is required in order to comply with requirements of the Federal Clean Act, as amended?
 - c. Please identify any orders of the Commission in which such costs were excluded from recovery under an environmental surcharge approved pursuant to KRS §278.183, and provide copies of such orders.

- d. Please identify any orders of the Commission which state that environmental compliance costs of gas-fired generating units cannot be recovered pursuant to KRS §278.183, and provide copies of such statements.
 - e. Please identify any case law authority which would prohibit a ruling by the Commission allowing the recovery of such costs pursuant to KRS §278.183, and provide copies of such authority.
3. Regarding Mr. Kollen's testimony at Page 15, where he states: "To be "reasonable" a cost must be incurred. The TIER adder is not an incurred cost, but rather an imputed margin above cost at best. To be "reasonable," the cost must be an "actual" and "current" cost of compliance. The TIER adder is neither."
 - a. Please identify any orders of the Commission which state that a reasonable return on environmental facilities, recoverable under KRS §278.183, cannot include a margin above cost, and provide copies of such statements.
 - b. Please identify any orders of the Commission which state that a reasonable return on environmental facilities, recoverable under KRS §278.183, must be determined by a different standard than would be applied to set a reasonable return on such facilities in a base rate case, and provide copies of such statements.
4. Has Mr. Kollen ever filed testimony on cost of capital issues in any regulatory proceeding? If so, please provide copies of the testimony as well as the portion of the Commission Order in the proceeding dealing with the cost of capital issue.
5. Has Mr. Kollen ever filed testimony regarding TIER requirements in a regulatory proceeding involving Cooperatives? If so, please provide copies of the testimony as well as the Commission order dealing with the TIER requirement issue.
6. Reference Page 15 of Mr. Kollen's testimony where Mr. Kollen states that a TIER of no more than 1.0X is warranted in this proceeding. Would Mr. Kollen agree that the interest expense associated with the environmental assets already included in EKPC base rates was subject to a 1.15 X adder?
7. Please list the factors used by the Commission in determining a "reasonable return" under the surcharge statute for those utilities that have been awarded such a return. Please provide copies of the Orders which define these factors.
8. Does Mr. Kollen agree that the Commission did not explicitly deny an increment for a TIER adder for Big Rivers in Case No. 94-032?
9. Does Mr. Kollen agree that the reasonable return approved by the Commission for the environmental surcharges for Kentucky Power, Kentucky Utilities and Louisville Gas & Electric are rates based on the overall cost of capital including debt and equity?

10. Please state whether EKPC's use of a full month of depreciation expense for plant additions occurring within that same month is in conformance with Generally Accepted Accounting Practices (GAAP).
11. Please provide the names of all electric utilities subject to the jurisdiction of this Commission and known to Mr. Kollen who prorate the first month of depreciation expense for any new plant additions including approved Compliance Plan projects under KRS §278.183.
12. Would Mr. Kollen agree that if the Commission approves a full month of depreciation expense for any new plant addition that such expense is an actual recoverable cost under KRS §278.183?
13. Please provide the names of all electric utilities and Orders, including Orders from environmental surcharge cases, where this Commission has directed the utility to prorate the first month of depreciation for a new plant addition.
14. Does Mr. Kollen agree that the statute permits the recovery of eligible current environmental compliance costs not already included in base rates?
15. Is it Mr. Kollen's testimony that the Commission should approve a BESF of 0.57% in this proceeding?
16. Reference Mr. Kollen's testimony at Page 29, lines 14-15. Please provide the basis for the assertion that the "Commission has found that R(m) should include revenues from off-system sales". Is Mr. Kollen referring to the adjustment made to E(m) for recognition of off-system sales? Please provide excerpts from Commission orders that address this issue.

CERTIFICATE OF SERVICE

This is to certify that an original and seven (7) copies of the foregoing East Kentucky Power Cooperative, Inc., Information Requests to Gallatin Steel Company, in the above-referenced case, were delivered to Elizabeth O'Donnell, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, and copies were electronically transmitted and mailed to Parties of Record, on January 6, 2005.



CHARLES A. LILE